



## Board of Administration Offsite

# Approval of 2027 HMO and PPO Premiums

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**July 14, 2026**

**Item Name:** Approval of 2027 Health Maintenance Organization and Preferred Provider Organization Plan Premiums

**Program:** Health Benefits

**Item Type:** Action

### **Recommendation**

The CalPERS team recommends the Board of Administration (Board) approve the 2027 Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) premiums along with the following items:

1. Remove UnitedHealthcare (UHC) SignatureValue Alliance and Harmony Basic plans from CalPERS portfolio;
2. Reduce the PPO Basic plans surcharge by 50%; and
3. Approve a product change for UHC's Group Medicare Advantage plan.

### **Executive Summary**

This agenda item provides the Board with the 2027 health premiums for the CalPERS HMO and PPO plans. As a reminder, the 2027 initial and preliminary premiums were presented to the Pension and Health Benefits Committee (PHBC) Closed Session in May and in Closed and Open Sessions in June 2026. Since then, the CalPERS team continued negotiations with its health plans, verified that the premiums reasonably reflect the cost of benefits, and finalized the premiums.

For the 2027 plan year, CalPERS contracts with the following carriers for Basic HMO plans: Anthem Blue Cross, Blue Shield of California, Health Net of California, Kaiser Foundation Health Plan, Sharp Health Plan, Sutter Health Plan, and Western Health Advantage. CalPERS contracts with Blue Shield of California and Included Health to administer and provide population health management services to Basic PERS Gold and PERS Platinum PPO plans.

In addition, CalPERS contracts with the following carriers for Medicare Advantage Plans: Anthem Blue Cross, Blue Shield of California, Kaiser Foundation Health Plan, Sharp Health Plan, and UnitedHealthcare of California. CalPERS contracts with Blue Shield of California to administer Medicare Supplement PPO plans. CalPERS also contracts with a self-funded pharmacy benefit manager, CVS Caremark, to administer pharmacy services for some HMO and PPO plans.

## **Strategic Plan**

This item supports the CalPERS 2022-2027 Strategic Goal of Exceptional Health Care: Ensure our members have access to equitable, high-quality, and affordable health care.

## **Background**

Pursuant to Government Code Section 22864(a), which requires that premiums shall reasonably reflect the cost of benefits provided, CalPERS engages each year in the Rate Development Process (RDP). The goal of the RDP is to ensure that CalPERS members receive high-quality health care at the best price possible. The addition of new health plans, expansion of existing health plans, and benefit design changes are also considered part of the RDP.

## **Health Program Recommendations for 2027**

CalPERS recommends the following program changes for 2027:

### Removal of UHC SignatureValue Alliance and Harmony Basic Plans from the CalPERS Portfolio

UHC submitted extremely high and unsubstantiated 2027 rate proposals for their Basic plans. Despite negotiation, UHC was unwilling to bring rates down sufficiently. Therefore, in support of CalPERS' mission to provide affordable, equitable, accessible, and high-quality health care, we recommend removal of UHC's Basic plans.

### Reduce Surcharge for PPO Basic Plans by 50%

After several years of premium surcharges on the Basic PPO plans, the Basic PPO funded reserve is expected to reach the required 90% reserve benchmark in 2026. Therefore, we recommend reducing the premium surcharge for the 2027 Basic PPO plan premiums by 50 percent, with the goal of fully eliminating the surcharge for 2028.

### Product Change for UHC Group Medicare Advantage Plan

Currently, the UHC Group Medicare Advantage Plan combines medical and pharmacy benefits within each plan. Beginning in 2027, we recommend this plan separate the medical and pharmacy prescription drug benefits to receive a higher reimbursement amount from CMS which will reduce premiums.

## **Health Program Approved Changes for 2027**

The final 2027 premiums reflect Board approval of the recommendations above and the approved changes noted below:

### Product Change for Blue Shield Medicare Advantage Plan (approved November 2025)

Like the UHC Group Medicare Advantage Plan noted above, the Blue Shield Medicare Advantage Plan combines medical and pharmacy benefits within each plan. Beginning in 2027, Blue Shield will separate the medical and pharmacy prescription drug benefits to receive a higher reimbursement amount from CMS which will reduce premiums.

Blue Shield EPO Expansion (approved November 2025)

Blue Shield EPO plan expansion to all remaining California ZIP codes that lack an HMO or EPO option. Expansion counties are Alpine, Amador, El Dorado, Nevada, Placer, San Bernardino, Sutter, and Yuba.

Kaiser Permanente Nevada Expansion (approved November 2025)

Kaiser Permanente's expansion to northwestern Nevada. Kaiser's Basic and Medicare Advantage plans will be available in Carson City, Douglas, Lyon, Storey, and Washoe counties.

Family Building Benefit for Basic PPO Plans (approved June 2026)

Beginning July 1, 2027, all Basic health plans will offer coverage for the diagnosis and treatment of infertility. CalPERS Basic HMO plans are required by SB 729 to add these benefits, and the CalPERS Board approved adding these benefits to the Basic PPO plans effective July 1, 2027.

**Budget and Fiscal Impacts**

Overall, the premiums for the 2027 plan year will increase employee and employer health premium contributions. The actual increase or decrease depends on plan specific information. For the State of California, the increase or decrease will be determined in accordance with Public Employees' Medical and Hospital Care Act. For contracting agencies, the increase or decrease will be determined based on each agency's negotiated health premium contribution amount.

**Benefits and Risks**

Benefits: CalPERS aggressively works to keep costs and premiums as low as possible while pursuing innovations in contracting, quality initiatives, and benefits that help to make high-quality health care affordable to our employer partners and members. Risks: CalPERS, like many purchasers of health benefits, continues to face the challenge of adequately covering the cost of health care while remaining competitive.

**Materials**

Attachments will be provided under separate cover prior to the meeting.

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